SUPPLEMENT TO THE

National Municipal Review

Vol. IX, No. 2 February, 1920 Total No. 44

The Coming of Centralized Purchasing in State Governments

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PUBLISHED BY THE

NATIONAL MUNICIPAL LEAGUE

RAILROAD SQUARE, CONCORD, N. H.
EDITORIAL OFFICE, NORTH AMERICAN BUILDING
PHILADELPHIA, PA.

ntered as second-class matter April 15, 1914, at the post-office at Concord, New Hampshire, under the Act of August 24, 1912.

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THE COMING OF CENTRALIZED PURCHASING STATE GOVERNMENTS

BY A. E. BUCK

I—INTRODUCTION

Growing Need for Centralized Control Over Purchasing

Approximately eighty per cent of the ordinary current expenditures of state governments is made in payment for the services of persons and for the purchase of supplies and materials, from thirty to sixty per cent going for the services of persons and from twenty to fifty per cent for the purchase of supplies and materials. In spite of this comparatively large expenditure for supplies and materials, it is only very recently that many of the states have become interested in the subject of purchasing with a view to economy there and have undertaken to centralize control over purchasing methods and procedure by fixing responsibility for all purchasing in a single unit of the government. The need for such control seems obvious. Numerous savings and certain advantages accrue from the operation of a centralized purchasing system. Briefly, these are (1) the concentration of purchasing power, permitting goods to be bought in large quantities at the lowest and best prices under competitive bidding and promoting prompt delivery, inspection and payment for goods with the minimum inconvenience to dealers; (2) the standardization of supplies, eliminating unnecessary range in kinds of goods, also unduly expensive grades; and (3) the development of an expert purchasing staff, acquainted with the details and skilled in the methods of the several phases of purchasing, inspecting, testing and storing goods.

Development of Centralized Purchasing in City Governments and National Government

The movement for centralized purchasing of supplies in governmental organizations is comparatively recent. It was about twenty years ago that cities first began to adopt such systems of purchasing. They copied to a large extent the purchasing methods and procedure of private organizations. Chicago was the first large city to establish a purchasing department (1898), which was placed under the direction of a "business agent" empowered to exercise considerable control over the purchasing of all the city's agencies. In 1903 Philadelphia established a purchasing department with control over the purchase of all supplies for "the conduct of the business of the city." It has been since 1910, however, that most of the larger cities have adopted centralized purchasing systems. Among these may be mentioned Baltimore, Cleveland, Dayton, Los Angeles, Minneapolis, Milwaukee, New York and St. Louis.

The organizations for centralized purchasing in the various cities differ widely. Some have boards or comittees composed of appointive or *ex officio* members. Others have delegated the function of purchasing to an existing officer or department. The majority of cities, however, have created special purchasing departments, in most cases under the control of a single appointive officer. In those cities where the government has been recognized and consolidated into a few departments the function of purchasing

has been made a division or bureau under one of the main departments, usually the finance department.

The general supply committee, in charge of the purchasing of supplies for the executive departments and other agencies of the federal government in Washington City, was created in 1910. This committee is composed of an officer from each of the executive departments designated by the secretary of the department. The work of this committee is under the direct supervision of the superintendent of supplies, who is appointed by the secretary of the treasury and is *ex officio* secretary of the committee. Standardization of supplies constitutes the principal work of the committee.

Movement for Centralized Purchasing in State Goverments

Twenty years ago (1899) Texas established the office of state purchasing agent for the several eleemosynary institutions of the state. This office operated continuously until the past year, when it was abolished and the exercise of its functions was given to the newly created state board of control. The next state to create the office of purchasing agent was Vermont in 1912. The Vermont agent was given the power to purchase all supplies and materials used by the several departments and institutions of the state. New Hampshire followed in 1913 by creating the office of purchasing agent, the agent having charge of the purchasing for all the state institutions and departments except the state agricultural college. Although several changes have since been made in the powers of the purchasing agent, they have resulted in an increase rather than a decrease of his authority. California established a state purchasing department in 1915, which has control over the purchase of supplies for all state agencies, except the state university. In the same year Alabama constituted the secretary to the governor purchasing agent for the state. Recently (1919) the purchasing functions were taken away from the governor's secretary and given to the newly created board of control and economy. In 1916 New Jersey established the office of state purchasing agent under the control of the state house commission. Ohio, in 1917, established a state purchasing department in the secretary of state's office, having authority to purchase for the state offices and departments, but not for the institutions, the courts and certain boards. The Illinois civil administrative code of 1917 provided for the establishment of a division of purchases and supplies in the department of public works and buildings, which is authorized to purchase practically all of the state's supplies. The New York legislature of 1918 enacted a law which created a central supply committee, consisting of seven *ex officio* members, and provided that it should become operative on July 1, 1919. In 1919, Idaho, Michigan and Wyoming provided for centralized purchasing of state supplies. Idaho placed the puchasing functions under the department of public works in its recently reorganized administration. Michigan created the office of state purchasing agent. Wyoming created a state board of supplies, consisting of three *ex officio* members.

The purchasing systems of the above named twelve states will be taken up in subsequent sections of this article and discussed in detail under the general heads, (1) organization of the purchasing agencies, (2) purchasing methods and procedure, and (3) operation of the purchasing systems.

Other states besides those named above have attempted to establish control over the purchase of supplies and

materials for their various using agencies, but have not been able to centralize the purchasing to any considerable extent. Nebraska vested the control over the purchase of stationery, office supplies and printing in the newly created department of finance under the reorganized administration.[1] Institutional purchasing is left to the control of the board of commissioners of state institutions, a constitutional body. Massachusetts provided in the administrative consolidation act[2] for the creation of a superintendent of buildings, who is charged with the care of the state house, and with the duty of purchasing all office equipment, stationery and supplies for the consolidated departments. The purchasing for the state institutions is conducted separately; only in the case of the institutions for the insane has there been an attempt to consolidate the purchasing. In Wisconsin the superintendent of public property has the power to purchase such supplies as are used by the departments quartered in the capitol.[3] The state board of control supervises the buying of supplies for the state institutions except the state university, which makes its purchases separately. A large number of states have placed their charitable, penal and correctional institutions under the supervision of boards of control and these boards in several cases have consolidated the purchasing for their institutions. The best examples of this type of consolidated purchasing are to be found in Arizona,[4] Kansas,[5] Tennessee,[6] and West Virginia.[7] North Carolina has a co-operative purchasing committee composed of superintendents of certain state hospitals and schools.[8]

[1] Civil Administrative Code, Laws of 1919.
[2] Ch. 350, General Laws of 1919.
[3] Ch. 33, sec. 33.03, Revised Stats. 1917.
[4] Ch. 64, L. 1919.
[5] Ch. 297, L. 1917.
[6] Ch. 20, L. 1915.
[7] Ch. 58, L. 1909 (Sec. 596, Code of 1913).

II—ORGANIZATION OF STATE PURCHASING AGENCIES

This section will consider the administrative control which has been established over the purchasing agencies of the twelve states having fairly well-developed centralized purchasing systems, namely, Alabama, California, Idaho, Illinois, Michigan, New Hampshire, New Jersey, New York, Ohio, Texas, Vermont and Wyoming; also the organization of each purchasing agency and the general scope of its purchasing power.

Alabama

The 1915 legislature of Alabama enacted a law[9] which constituted the secretary to the governor purchasing agent for the several state departments other than the convict department and the state courts. For this work he received $600 per year[10] and was required to give a bond of $10,000. The governor, auditor and treasurer were constituted a state board of purchase, having control over the work of the purchasing agent. The law establishing this organization was repealed in 1919 and the purchasing functions were vested in the newly created board of economy and control.[11] This board is composed of three members, a chairman and two associate members, appointed by the governor and serving at his pleasure for terms not to exceed four years for the chairman and two years each for the associate members. The chairman receives $6,000 and the associate members $4,000 each per year.

[8] Ch. 150, L. 1917; amended by Ch. 298, L. 1919.
[9] Act No. 414, L. 1915.
[10] Act No. 711, L. 1915.
[11] Acts No. 47 and 758, L. 1919.

The board of control and economy is required to purchase "all supplies for all departments and activities of the state, including all educational institutions and the convict department." It may also make purchases for the several counties of the state when requested by the governing body of each county. No legal provisions are made for the appointment by the board of a purchasing agent or staff to assist in purchasing. Under provisions of the code,[1] which were not repealed by the law establishing the board of control and economy, the secretary of state is required to contract biennially for fuel used in the capital, stationery, printing and binding for the different state departments, all such contracts being subject to the approval of the governor, auditor and treasurer. This requirement will necessarily hamper the work of the board of control and economy, which began to operate on January 1, 1920.

California

At the head of the state purchasing department of California, created in 1915,[2] is a state purchasing agent appointed by and serving at the pleasure of the governor. He receives an annual salary of $4,000 and is required to give bond for $10,000. The purchasing agent has power to appoint a deputy state purchasing agent at a salary of $3,000, a state testing engineer at $2,700 and to appoint and fix the salaries of three assistant state purchasing agents subject to the approval of the state board of control. He also has the authority to secure such other help as may be necessary for conducting the work of the department. Recently there were thirty-six persons employed and arranged according to the following six working groups: foods and forage; building material, general hardware, machinery and implements; clothing and fabrics, drugs and chemicals, and leather goods; stationery and office supplies; testing laboratory; general stock and store division at San Francisco.

The purchasing agent has the power, subject to the approval of the state board of control consisting of three members appointed by the governor, to contract for and supervise the purchase of all supplies necessary for "every state department, commission, board, institution, or official," except the state university and such funds as may be exempt from the jurisdiction of the purchasing department by unanimous vote of the state board of control.

Idaho

In connection with the code reorganizing the state administration, the 1919 legislature of Idaho passed a law[3] which imposes upon the department of public works the duty of purchasing all supplies for the state departments and institutions. The purpose of the law, says the preamble, "is to secure the orderly and economical administration of the business affairs of the various departments and institutions, publicity and fairness in awarding contracts for all supplies and the keeping of accurate cost accounts." The department of public works, the head of which is appointed by the governor, is given the power to contract for and purchase communication services, fuel, light, water, and all office supplies and equipment for the several state departments; also all provisions, supplies and equipment for the various charitable, educational, penal and reformatory institutions of the state, as well as tools and machinery for state road construction. No definite provi-

[1] Secs. 1647–1677 of Code.

[2] Ch. 351, L. 1915; amended by Ch. 187, L. 1919.

[3] S. B. No. 147, L. 1919.

sions are made in the law for the organization of a purchasing division or bureau under the department of public works.

Illinois

The Illinois civil administrative code of 1917, providing for the reorganization and consolidation of the state administration, created the office of superintendent of purchases and supplies under the department of public works and buildings. The superintendent is appointed by the governor and is directly responsible to the head of the department. He receives an annual salary of $5,000. His work is organized into the division of purchases and supplies and his office force consists of about fifteen persons. Considerable inspecting, analyzing and testing work is done by experts outside of his office, connected either with other code departments or with private organizations.

The division of purchases and supplies procures all supplies for the several state departments, except those formerly supplied by the secretary of state; also all supplies for the state charitable, penal and reformatory institutions and normal schools.

Michigan

A law[1] was passed by the 1919 legislature of Michigan, which creates the office of state purchasing agent and provides that the agent be appointed by the governor with the approval of the senate to serve at the pleasure of the governor. He receives an annual salary not to exceed $4,000 and is not to be connected in any way with the sources of the supplies furnished the state. Upon entering office, he must take the constitutional oath of office and furnish bond to the sum of $10,000. There is an advisory board attached to the office of the purchasing agent, consisting of nine members chosen from among the stewards of the various state institutions, together with the governor and the food and drug commissioner *ex officio*. The members of the advisory board serve for overlapping terms of five years each and receive no compensation for their services. This board is required to adopt by-laws subject to the approval of the governor for the conduct of the purchasing, and to meet with the purchasing agent at least once a month. The purchasing agent may appoint, with the approval of the governor, clerks and other necessary help.

The purchasing agent is given the power to purchase all supplies and materials necessary for the maintenance, extension, or operation of all state penal, reformatory, charitable and correctional institutions, except the University of Michigan and the Michigan Agricultural College. These institutions, however, may join with the others in making their purchases.

New Hampshire

In 1913 New Hampshire provided for the creation of the office of purchasing agent, the agent being appointed by the governor and council for a term of three years at an annual salary of $3,000.[2] At the same time a board of control was created, consisting of two persons, appointed by the governor and council for overlapping terms of four years, and the governor *ex officio*. This board controlled the state institutions and supervised the work of the purchasing agent. A 1915 statute[3] repealed the former law and created a board of trustees of state institutions composed of ten men, two for each institution, appointed by the governor for terms of five years. This

[1] H. B. No. 61 (H. Enrolled Act No. 199), L. 1919.

[2] Ch. 140, L. 1913.

[3] Ch. 176, L. 1915.

board was authorized to employ a purchasing agent at an annual salary not exceeding $3,000. The purchasing power of this board was extended in 1917 to include the buying of the supplies and materials for all institutions and departments of the state except the state agricultural college.[1] In 1919 the board was abolished and a separate board of trustees for each institution was substituted.[2] The purchasing agent was again made an appointee of the governor and council for a term of three years at a salary fixed by the governor and council. He is allowed such assistance in the performance of his duties as may be approved by the governor and council.

At the present time the purchasing agent is given the power, subject to the supervision of the governor and council, to purchase all supplies and materials for the state institutions, including the normal schools, the state house and the departments quartered in the state house; also for the county institutions upon request of the county commissioners, and for the New Hampshire College of Agriculture and Mechanic Arts and the Soldiers' Home upon the request of their trustees.

New Jersey

A New Jersey statute, passed in 1916, vests authority for the purchase of all supplies and materials for all using agencies of the state government in the state house commission, composed of the governor, treasurer and comptroller.[3] The office of state purchasing agent is created, the agent being appointed by the governor with the approval of the senate for a term of five years at an annual salary of $5,000. He is required to have had practical purchasing experience and to give bond for $50,000. His work is under the supervision of the state house commission and he may be removed by the governor at any time for nonperformance of duty. Such assistants may be appointed by the purchasing agent with the approval of the state house commission as are necessary. An advisory board, consisting of one representative from each of the using agencies, is constituted and required to co-operate with the state house commission in determining standards and purchasing methods and to meet with it at least every three months.

New York

A 1918 law provided for the creation of a central supply committee of seven members, consisting of the state comptroller as chairman, commissioner of education, superintendent of public works, secretary of the trustees of public buildings, chairman of the state hospital commission, fiscal supervisor of state charities and superintendent of state prisons.[4] This committee is in personnel identical with the commission named in 1917,[5] to investigate purchasing methods, and which recommended to the legislature the adoption of a purchasing system similar to that of the federal government in Washington City.

According to the law the central supply committee was given until July 1, 1919 to organize and consolidate the state purchasing. After that date all materials and supplies used by the state agencies and designated by the committee, excepting those required by law to be purchased for the penal institutions, shall be bought by the committee. The committee, under a provision of the law, has appointed a sub-committee of four members, representing the departments and principal

[1] Ch. 112, L. 1917.
[2] Ch. 14, L. 1919.
[3] Ch. 68, P. L. 1916.
[4] Ch. 400, L. 1918.
[5] Ch. 142, L. 1917.

institutional groups, which together with the secretary of the committee conduct the purchasing procedure with the approval of the central supply committee. This committee is not concerned with the public printing.

Ohio

In 1917 the Ohio legislature enacted a law providing for the establishment of a state purchasing department attached to the office of secretary of state, who appoints a purchasing agent for a term not to exceed his own at a salary not to exceed $3,000 per year.[1] The purchasing agent is required to give bond for $15,000, and may not receive rebates or gifts from dealers under penalty of fine and imprisonment.

Such supplies and equipment as may be determined by the secretary of state, the state auditor and the purchasing agent may be purchased by the agent, except supplies and equipment for the state election boards, state courts, institutions under the state board of administration, militia, and agricultural experiment stations. The state educational institutions and the commissioners of public printing are not included.

Texas

Texas established in 1899 the office of state purchasing agent for the various eleemosynary institutions of the state.[2] The purchasing agent was appointed by the governor with the approval of the senate for a term of two years at an annual salary of $2,000. In 1915, the annual salary of the purchasing agent was made $3,000, and the educational institutions of the state were added to those already under his purchasing supervision.[3] A law, creating a state board of control, was enacted by the 1919 legislature, which abolished the office of state purchasing agent and gave the exercise of his functions to this board.[4] The board is composed of three persons appointed by the governor with the senate's approval for overlapping terms of six years at annual salaries of $5,000 each. One of the seven divisions of this board's work is designated as the division of purchasing, the chief of which is appointed by the board and must have had at least five years experience in purchasing. The purchasing power of the state board of control is extended to all departments of the state government. The board became operative on January 1, 1920,[5] when it assumed the duties of the board of public printing, composed of the attorney general, comptroller and secretary of state.[6]

Vermont

Vermont created the office of purchasing agent in 1912.[7] The agent is appointed by the governor with the senate's approval for a term of two years at a yearly salary of $2,500. He is required to execute a bond to the sum of $20,000. It is his duty to purchase all supplies, including printing, fuel, water and light, materials and equipment for all state departments, institutions and officials, except the soldiers' home and the military department. He may purchase for the soldiers' home upon request.[8] A law, enacted in 1919, placed the purchasing agent's work under the supervision of the state board of control, although the manner of his appointment to office remains unchanged.[9]

[1] H. B. No. 193 (p. 422), L. 1917.
[2] Ch. 86, L. 1899.
[3] Ch. 126, L. 1915.
[4] Ch. 167, L. 1919.
[5] Ch. 4 (first called session), L. 1919.
[6] Ch. 84 (second called session), L. 1919.
[7] No. 253, L. 1912.
[8] No. 202, L. 1919.
[9] No. 220, L. 1919.

Wyoming

The 1919 legislature created a state board of supplies, consisting of the treasurer, auditor and state engineer, with the power to buy all supplies furnished by the state to any department, board or institution, except the state university and the state highway commission.[1] This board is authorized to hire and fix the salary of a clerk to have charge of all supplies and the office of the board at the capitol.

III—PURCHASING METHODS AND PROCEDURE

This section will deal briefly with the legal provisions and practices relating to the purchasing methods and procedure of those states, the purchasing organizations of which have been considered in the preceding section. Consideration will be given to the following points: Determining supply schedules, advertising for bids, receiving and passing on bids, letting contracts, ordering, delivering and inspecting goods, paying for goods, and storing and testing goods.

Alabama

Under the law the board of control and economy is required to make out an itemized list of proposed purchases and to give notice in at least one daily paper published in Montgomery. It may also give notice in one daily paper in Birmingham and Mobile. The notice must state in a brief general way the nature of the supplies to be bought, also that sealed written proposals to furnish such supplies will be opened at the office of the board on a fixed date, which must be not less than ten or more than twenty days thereafter. Itemized lists of supplies needed must be kept on file at the board's office and be open to any party for bids. Contract must be let to the lowest responsible bidder if his prices are reasonable and not greater than the prevailing market prices. The board cannot purchase any supplies from any firm in which a member of the board has a pecuniary interest. It may reject all bids submitted, but must record the reason for its rejection. All contracts for purchases must be approved by the governor. Successful bidders may be required to give bond with a duly authorized surety company to guarantee performance of contracts. The board may adopt such rules and regulations with the approval of the governor as may be required to supplement the foregoing provisions of the law. Each using agency must file with the board by January 1st of each year an inventory of all supplies and equipment in its possession.

California

The purchasing department makes up supply schedules upon the basis of estimates or requisitions submitted by the various using agencies of the state. All goods purchased by the department are standardized as far as possible and divided into twenty-seven schedules, similar kinds being grouped together for the convenience of dealers. While the newspapers are used as a means of advertising for bids, the department prefers to send schedules directly to prospective bidders. After bids have been received they are tabulated and the awards made to the successful bidders. All contracts and purchases must be approved by the state board of control before being made. Contracts are usually made for three, six and twelve months, the shortest period being more commonly used because of unsettled market conditions.

Purchases are of two kinds, namely, contract and non-contract. The purchasing procedure for contract supplies

[1] Ch. 96, L. 1919.

is as follows: The using agency makes out a purchase order addressed to the contractor, which designates the quantity, measure, description, unit, cost as per contract of the goods needed, date of delivery, and the fund out of which the order is payable. This order is signed by the executive head of the using agency and is made in quintuplicate—the original is sent to the purchasing agent, who approves it and places it with the contractor; the duplicate is also sent to the purchasing agent, who returns it to the using agency as a notice that the order is placed; the triplicate is retained in the files of the using agency; the quadruplicate is sent to the purchasing agent as a copy for the purchasing department; and the quintuplicate is a copy for the state board of control, which must approve of each contract order before final payment is made. Upon the receipt of the order the contractor ships the goods according to the date set for delivery and forwards invoices in triplicate to the using agency. When the goods are delivered the using agency's storekeeper checks them up on a blank called report of goods received. This report is then approved by the executive head of the agency and the original invoice is attached to the original copy of the report and it, along with the duplicate and triplicate copies, are sent to the purchasing agent. The quadruplicate copy is kept in the files of the using agency. The purchasing agent checks up the report and returns the triplicate copy to the files of the using agency. When a copy of this report and the invoice, accompanied by a sworn statement of the purchasing department as to the correctness of the claim, is approved by the state board of control the comptroller then audits the claim, draws his warrant for the amount and the treasurer pays the same.

In the case of non-contract purchases the procedure is as follows: The using agency sends a requisition to the purchasing agent for the supplies needed, giving quantity, measure, description, amount on hand, estimated cost, and date wanted. This requisition is made out in duplicate, the original copy going to the state purchasing agent and the duplicate copy remaining in the files of the using agency. Upon receipt of the bids, the purchasing agent places an order with the successful bidder for the goods as specified on the request for quotations and as originally specified on the requisition from the using agency. This order is made out in quintuplicate—one copy, signed by the purchasing agent, is sent to the bidder; two copies are sent to the using agency, one to be signed by the executive head and attached to the invoice for the purchasing department, the other to be retained in the files of the using agency; one copy is retained by the purchasing department; and one copy is sent to the state board of control. The shipping, checking up and paying for the goods are the same as under contract purchase. The purchasing office has a card system for keeping records of the quantities purchased for the various using agencies and the prices paid.

The 1919 legislature appropriated $200,000 to the purchasing department to be used as a revolving fund in the purchase of supplies with the approval of the state board of control, the fund to be reimbursed from the appropriation accounts of the using agencies. Prior to this time the department had had a revolving fund of $25,000.

The purchasing agent is given the power, subject to the approval of the state board of control, to maintain warehouses and to insure the goods stored therein, the premium to be paid out of the revolving fund and prorated and added to the price of the goods

when shipped to the various using agencies. A warehouse has been established in San Francisco in which non-perishable merchandise needed by the institutions is stored. Branch supply depots have been located in Sacramento and Los Angeles, carrying stationery and office supplies and billing to the offices and departments at cost plus 2 per cent to cover breakage, shrinkage and so forth. The purchasing department maintains two testing laboratories in San Francisco and one in Sacramento.

Idaho

Itemized lists of supplies on hand and of supplies needed are required under the law to be made by the commissioners of the departments and the superintendents of the state institutions to the department of public works. This department then makes an examination of the supplies on hand and of the additional amount of supplies necessary on the basis of which itemized and classified supply schedules are prepared. Notice must then be given in one or more newspapers of general circulation for at least ten days that sealed bids will be received by the department of public works up to a fixed date, that supply schedules are on file for the inspection of dealers at the office of the department, and that bids will be opened at a specified time and contracts awarded to the lowest responsible bidder. Each bid must be accompanied by samples of the supplies to be furnished, which are ample in quantity to be divided and part kept in the office of the department and part, in case an award is made, sent to the superintendent of the institution receiving the supplies. All bids must be accompanied by a certified check on some responsible bank, payable to the treasurer of the state, equal in amount to 5 per cent of the bid, which check is returned in case no award is made. The bids must include the delivery of the supplies to the departments and institutions for which they are purchased. The department of public works is required to record an abstract of all bids made for furnishing supplies and equipment, giving the name of the bidder, terms, and prices, and to keep this on file, open to public inspection, until the end of the contract term to which the bids relate. Each bidder has the right to be present, either in person or by agent, when the bids are opened and to examine all bids. The department has the right to reject any and all bids and to advertise again for bids.

Contracts are not to be entered into for a longer period than one year and are to embody such conditions as the department of public works may determine. Quality and price being equal, preference is to be given to goods produced or manufactured within the state. Contracts when transferred to other dealers are void and penalty attaches to such action. Perishable supplies are not purchased under state contract, but the institutions are allowed to buy them under proper regulations and must render an itemized account for same to the department of public works. Emergency purchases may be made in open market and accounted for in a similar manner.

Departmental and institutional stores are subject to inspection at all times by the department of public works. This department must keep a complete set of books showing all purchasing transactions with the various using agencies. It must also take a complete inventory of all state property.

Illinois

The legal provisions relating to the purchasing procedure of the division of purchases and supplies in the department of public works and buildings are

as follows: Supplies for the several departments, except perishable goods and emergency needs, must be purchased in quantities and contracts therefor must be let to the lowest responsible bidder. Advertisements for bids must be published for at least three days, the first and last of which publications must be at least ten days apart, in one or more newspapers of general circulation published in each of the seven largest cities of the state, determined by the most recent federal census; and, also, in one "secular English newspaper" selected by the department by competitive bidding, designated as an "official newspaper" and to continue so for one year after its selection. The proposals must be opened publicly on the day and hour and at the place mentioned in the advertisement. Any and all bids may be rejected and re-advertisement made. The department of finance is required to prescribe uniform rules governing specifications, advertisement for bids, opening of bids and making of awards; also, to keep a catalogue of prices current and to analyze and tabulate prices paid and quantities purchased.

The purchasing procedure as developed in practice is briefly as follows: The division of purchases and supplies obtains the quantities of supplies desired from requisitions made by the several using agencies. These requisitions are made out in triplicate and when approved by the director of the department in which the using agency is a division, one copy is filed with the agency, one with the approving director and one is sent to the division of purchases and supplies. The requisitions for supplies are brought together by the superintendent of purchases and supplies, and are classified, standardized and arranged in schedules. Upon advertising for bids, the score or more of classes are grouped under three main divisions and bids are requested for the items of the several classes of each division independently of the other divisions. Bids may be received for one or all institutions on any or all items. All bids must include transportation charges. Usually bidders are required when submitting quotations to send samples to match standards specified. All samples, except perishable ones or those upon which contracts have been let, are returned to the bidder at his expense after the awards have been made. After the bids have been publicly opened upon the day and hour advertised they are tabulated upon sheets for this purpose. Awards are made upon the basis of items and other things being equal preference is given to goods produced in Illinois. Contracts for supplies usually cover a three months period, and provide that the quantity actually used will be within 10 per cent of the quantity contracted. Following the awarding of contracts the division of purchases and supplies issues a purchase order based upon the requisition for supplies. This order is made out in quadruplicate, one copy going to the contractor, one to the using agency, one to the department immediately in control of the using agency, and one is retained by the division of purchases and supplies. Goods are shipped immediately upon receipt of the order, at a stated future time, or upon notification of the using agency. Invoices in triplicate for all goods must be mailed by the contractor to the using agency. When received, the goods are inspected; if they fail to conform to specifications they are rejected and open market purchases are made to meet the requirements at the expense of the contractor. Bills are promptly paid and advantage is taken of all discounts. In case the using agency is permitted to make purchases or to obtain com-

petitive bids an authorization is issued in triplicate by the superintendent of purchases and supplies. If the using agency places an order for delivery a blank for this purpose is required to be made out in triplicate.

Michigan

The provisions of the law relating to purchasing procedure are as follows: Estimates of supplies needed must be furnished to the purchasing agent by the stewards or executive officers of the various institutions at such times as may be designated by the advisory board. These estimates are open to public inspection when filed with the purchasing agent, and must state as far as possible the quantity, quality and brand of articles needed. The purchasing agent is then required, with the approval of the advisory board, to standardize all supplies purchased, and in advertising for bids to confine himself to the standards so set up. Samples may be required to accompany bids. In awarding contracts, all things being equal, preference is given to home products. The purchasing agent, with the approval of the governor, may require a bond for not less than one-third the amount of the bid to be filed with the secretary of state as a guarantee for the execution of the contract. All bills of lading and claims for shortage and breakage must be filed with the purchasing agent. Invoices in triplicate must be made out by the contractor, one copy being mailed to the purchasing agent and the other two to the steward of the institution to which the goods are shipped. When the goods are received if the steward finds they do not come up to the sample he may reject them. If goods are satisfactory, the steward transmits to the purchasing agent a certified copy of the invoice, which the purchasing agent examines and in turn transmits to the state auditor, who draws his warrant for payment upon the state treasurer. Emergency purchases may be made, with the consent of the purchasing agent, in open market. The purchasing agent and the advisory board frame rules for the purchase of perishable goods by the institutions.

New Hampshire

The law requires the purchasing agent to make all purchases by competitive bidding, where in the judgment of the governor and council it is practicable. It also authorizes the governor to set aside in the state treasury a working capital for the prompt payment of bills contracted by the purchasing agent. Two years ago this capital amounted to $45,000.

In practice, the institutions and departments submit to the purchasing agent estimates of their supply needs on requisition blanks furnished by the agent. These are arranged by the purchasing agent in the form which in his judgment will secure the most advantageous bids and are mailed directly to dealers capable of supplying the goods. Since dealers of Boston and New York supply a large part of the goods used, advertisements in local newspapers are not used. Contracts are let for different periods, but not to exceed one year. Delivery orders based upon the requisitions, are sent to the contractors by the purchasing agent. Invoices must be submitted to the using agency in triplicate. When the goods have been received and approved the original and duplicate copies of the invoice are sent to the purchasing agent and the triplicate copy is retained in file. The purchasing agent examines the invoice, retains the duplicate copy and approves the original copy, which goes to the state treasurer for payment. The invoices for a particular institution are classified,

analyzed and posted in a record book. At the end of each month an analysis of the payments shown by this book is forwarded to the head of the institution.

New Jersey

The law provides that all supplies must be contracted for and purchased by authority of the state house commission. This commission has power to maintain warehouses and to constitute laboratories. It also has power, the advisory board co-operating, to establish standards of quality. Using agencies may be authorized by the commission to make open market purchases whenever deemed desirable. It is the duty of the purchasing agent to prepare from detailed applications submitted to the commission by the various using agencies schedules of all needed supplies and to submit them to the commission for its approval. After the schedules have been approved, the state house commission must requisition the comptroller for the amount of money estimated to be necessary to defray the cost of the schedules, indicating the appropriations against which the proposed purchases will be charged. The comptroller must approve this requisition, unless it appears that the free balance of any appropriation is not sufficient to cover the charge proposed against it, in which case he rejects that part of the requisition and approves the remainder. The purchasing agent must then arrange the schedules in the manner best calculated to attract competition and advantageous prices. All purchases must be made upon such schedules, and contracts must be executed with vendors. The purchasing agent must apportion expenditures among the using agencies in proportion to the purchases they have made and certify the same to the comptroller. All bills are paid by the state treasurer upon the comptroller's warrant.

In actual practice the requisition by the state house commission upon the comptroller for the amount of money estimated to be necessary to defray the cost of the schedules has been dispensed with as useless and a requisition is made upon the comptroller after the contracts are let and the amounts to be spent are definitely known. A "hand book showing the operation of chapter 68, P. L. 1916" (purchasing law) was got out by the state house commission at the time the purchasing system was installed, which outlined an elaborate and detailed plan of purchasing procedure. The plan has since been considerably revised. At the present time the using agencies submit detailed applications for supplies to the purchasing agent, who makes out schedules upon the basis of standardized specifications and, after approval by the state house commission, mails them to dealers asking for bids. All bids must be submitted to the purchasing agent by a specified date, accompanied by a small deposit and in most cases by samples of the goods to be furnished. Awards are made upon the basis of item bids, which bids must include transportation charges. After the awards have been made the samples and deposits of the unsuccessful bidders are returned and the successful bidders are required to execute contracts and bonds in triplicate copies, one copy each for the purchasing agent, state comptroller and contractor. Following the contracting, the using agency sends a requisition for supplies to the purchasing agent, who thereupon places an order with the contractor for the delivery of the goods to the using agency. Upon delivery the goods are inspected by the storekeeper and a certified copy of the invoice sent to the purchasing agent, who checks it with

the order and sends it to the comptroller for payment. The storekeeper may reject all goods not found satisfactory upon examination. Provisions are made for emergency and nearby purchases, the using agency making such purchases upon authority from the purchasing agent.

A central storeroom has been established in the state house, which takes care of all supplies for the various state departments located at the capitol. No state warehouses have yet been established. A revolving fund of $250,000 has been provided and is used by the purchasing agent to make seasonal purchases, which are held in stock until desired by the various agencies.

New York

Under the law the committee is required to make an annual classified schedule with formulas and specifications of all materials and supplies to be purchased on joint contracts. In order to assist the committee in making up this schedule, the using agencies are required to submit to the comptroller between January 1 and March 1 of each year a list of the estimated quantities of materials and supplies, of such character and classes as the committee may designate, that will be required for the next ensuing fiscal year. These lists, after being standardized as far as possible, are to be consolidated by the committee into the annual classified schedule, which is to be used as a basis for soliciting bids. Contracts may be let, not exceeding one year, to the lowest responsible bidder, quality and conformity with the specifications being considered. All bids may be rejected. The committee may use its discretion in requiring a bond for the faithful performance of each contract. Immediately upon the execution of the contract the comptroller must notify each using agency for which any materials and supplies have been included and must state the contract prices of such articles. All purchases are to be made for cash, or credit not exceeding sixty days' time. Provisions may be made for emergency purchases.

In practice, the sub-committee meets from time to time, prepares the specifications, advertises for bids, and awards the contracts subject to the final approval of the statutory members of the committee. Contracts were made in July 1919 for six months covering office supplies for one hundred and sixty-six state agencies. Bids were accepted upon the item basis for all using agencies, and were required to be accompanied with a certified check for 5 per cent of the total amount of the bid. In some cases samples were required. Only approximate quantities were named in the contracts, and other things being equal preference was given to bidders resident of the state. A bond equal to 25 per cent of the total amount of the contract was required. Using agencies place their orders directly with the contractor and supplies are shipped to them prepaid.

Ohio

The law requires the purchasing department, upon determining the kinds of supplies it will purchase, to notify the using agencies by sending them a printed list of the same, and the using agencies must thereafter secure these supplies through the purchasing agent except when special permission is given to obtain them otherwise. The purchasing agent must buy supplies by competitive bidding. Notices, stating time and place bids will be opened, conditions and terms of proposed purchase and itemized list of supplies and quantities needed, must be sent by registered mail to dealers at least fifteen days before the day set for opening the

bids and the postoffice receipts of the mailing of such notices filed in the purchasing agent's office. At the same time a copy of such notices must be posted upon the office bulletin board of the purchasing agent. Any dealer may have his name and the supplies handled by him listed with the purchasing department and the purchasing agent must send a notice for bids to every dealer so listed. A copy of each bid must be filed with the state auditor. The purchasing agent may require a bond with any contract for supplies. Contracts are awarded to the lowest and best bidder on each item, and the purchasing agent may accept or reject any or all bids. All using agencies must make requisition for supplies upon the purchasing department, using the forms prescribed by the state auditor. The purchasing agent is required to make monthly statements to using agencies of goods furnished them, and they in turn issue vouchers to the state auditor, who draws warrants for same and the money is deposited in the state treasury to the credit of the supply purchasing fund of the purchasing department. The purchasing agent is authorized to establish a state exchange department to take over on inventory supplies not needed by any using agency which may be requisitioned by other agencies or sold in open market.

Supplies have not been standardized and invitations to bid are made up in quintuplicate copies, one copy of which is filed by the purchasing agent, one posted on office bulletin board, and three sent to prospective bidders with instructions when bidding to return one to purchasing agent, send one to the state auditor and retain one copy. The purchasing department has a storeroom in the state house which supplies the departments located at the capitol. A requisition for supplies is made out by the using agency in quintuplicate, one copy going to the auditor, two to the purchasing agent, one to the storeroom, and one being retained by the agency. If goods are not in the storeroom, or are shipped directly to the department by the vendor, the purchasing department makes out a purchase order in quadruplicate, one copy going to the vendor, one to the receiving clerk, one to the state auditor and one being retained by the department. Vouchers are made out in duplicate and one copy with invoices attached is presented to the state auditor for payment.

Texas

The legal provisions relating to purchasing procedure authorize the state board of control through the chief of its division of purchase to contract for all supplies, save those strictly perishable, for one year beginning April 1 annually. Advertisements for bids must be run in at least four of the leading papers of the state for a period of four weeks, and shall state the nature of the supplies needed and the conditions of bidding. The board may purchase for a period of three months if found cheaper, or it may reject all bids and buy in open market. Other things being equal, bidders, having an established business in the state, are preferred. All bids must be accompanied by a certified check in the amount fixed by the board, and also samples of the goods to be furnished. The successful bidder upon entering into contract is required to furnish a bond equal to one-third of the amount of his bid. Invoices for all sales are required in triplicate, one copy to be sent to the board of control and two to the storekeeper of the using agency. When the goods are received the storekeeper inspects them and transmits one of the invoices certified to the board, which checks and transmits it to the comptroller, whereupon a warrant is drawn

on the treasury and the bill is paid. In cases of emergency institutions are permitted to make purchases.

It is not known at time of this writing just what forms and methods are used by the state board of control, which became operative January 1, 1920. Probably it has adopted those used by the office of state purchasing agent, whose duties it assumed.

Vermont

The law requires the purchasing agent to advertise for bids in the manner prescribed by the board of control by giving notice in at least two daily papers published in the state. The board approves all contracts for supplies. It may reject all bids and require the purchasing agent to readvertise, or it may permit the purchasing agent to buy in open market.

In practice, whenever a using agency is in need of supplies the head of the agency makes out a requisition in triplicate on the purchasing agent giving the name and description of the articles, the quantity required, the date needed, the quantity on hand, and the last purchase price. The purchasing agent, upon receipt of the requisition, places an order with the contractor for the supplies needed and has the goods shipped direct to the using agency, while a bill for the same is sent in triplicate to the purchasing office. The order is made in quadruplicate, two copies going to the using agency for checking purposes when the goods are received. Newspaper advertisements for bids are not used unless the amount of goods to be purchased exceeds $500, the result being that nearly everything is purchased by competitive bidding on specifications mailed directly to dealers. In case of emergency, goods are bought and the head of the using agency then notifies the purchasing agent of the purchase and asks his approval of the same.

Wyoming

The law requires all using agencies to submit to the state board of supplies by November 1 of each year detailed estimates of needed supplies. The supplies are to be classified for convenience of dealers. The board is required to advertise annually during November in at least three newspapers of the state, no two of which are in the same county, for bids on supplies beginning January 1, following. Advertisements must state the time and place proposals will be opened and that specifications will be supplied to prospective bidders by the secretary of state. Specifications must state the nature, kind, quality and estimated amount of supplies needed. Each bidder must accompany his proposal by a certified check equal to ten per cent of the amount of the bid. Awards are made to the lowest responsible bidder for each class of goods. The successful bidder at the time of entering into contract must furnish bond to the amount specified by the board. Failure to do so invalidates the contract. The board has the right to reject all bids.

IV—OPERATION OF STATE PURCHASING SYSTEMS

Of the twelve states having fairly well centralized purchasing systems, the systems of only six, namely, California, Illinois, New Hampshire, New Jersey, Texas and Vermont, have operated long enough to warrant a brief statement in each case of the volume of business, the operating cost of the system, and the saving to the state.

California

Since July 1, 1916, the state purchasing department has been buying all sup-

plies for ninety-six departments and institutions of the state. During the two years ending June 30, 1918, the total purchases of the department amounted to $8,320,385, with a saving to the state of approximately $2,000,000. The total cost of operating the department for the two years, including equipment, was $120,248, making a percentage of cost to purchase of 1.45 per cent.[1]

Illinois

During the year ending June 30, 1918, the division of purchases and supplies made and supervised the purchase of supplies amounting to $4,908,875. The expense of running the division for the same period was $28,781 thus making the ratio between the total purchases and the cost of operating the division .58 of one per cent.

Mr. T. G. Vennum, acting director of the department of public works and buildings, says: "The work of the division of purchases and supplies is one which, by reason of the entire lack of spectacularism of all purchasing work, might be overlooked for particular commendation. Yet on the purchasing agent of any large business—even one transacting one-thousandth as much business as the state of Illinois—depends, to a great extent, the success of the enterprise. . . . Suppliers often study carefully to make the state pay a long price where possible, and only conscientious skill can offset the skill of the supplier. Henry H. Kohn rounds out a year as head of the division of purchase and supplies with a record of remarkable work."[2]

Mr. Kohn states the advantages of centralized purchasing as follows:

> One year's experience has taught this division (1) that centralized purchasing makes available to the state the services of experts in buying through co-ordination with the specialists of the various divisions; (2) that purchasing in large quantities instead of small secures uniformity of price and quality for the same article consumed by the different divisions; (3) that it centralizes the point of contact between bidders and the state; (4) that it locates responsibility for determining price; (5) that it establishes an automatic check over deliveries in so far as supplies and materials bought by this division are received and checked by the divisions which consume them; (6) that it prompts the establishment of standards for various classes of supplies consumed by the divisions; (7) that the taking of discounts invites prompt deliveries, lower quotations and reliable competition.[2]

New Hampshire

According to the latest available information the annual purchases of the purchasing agent amount to approximately $675,000 while the cost of conducting the work is about $8,000.[3] This makes the cost of operating equal to 1.2 per cent of the total volume of business done by the purchasing agent.

New Jersey

For the year ending June 30, 1918, the purchasing department placed orders for supplies amounting to $2,602,570.[4] The operating expense of the department for the same period was $22,579, or a ratio of operating expense to volume of business of .98 of one per cent.

Texas

The volume of business done by the state purchasing agent during the past four years has averaged about $2,000,000 per year. The expense of conducting the purchasing agent's office during 1918 amounted to $9,980, which is approximately one half of one per cent of the total purchases. The saving to

[1] Second Report of Purchasing Department of California, November 1, 1918.

[2] Report of the directors under the Civil Administrative Code, 1918, pp. 165 and 174.

[3] Biennial Report of Purchasing Agent, June 30, 1916.

[4] Report of State House Commission, June 30, 1918.

the state by centralized purchasing for the past four years is estimated at almost a million dollars.[1] However, upon this record and with an experience extending over twenty years, the 1919 legislature saw fit to abolish the office of state purchasing agent and to place the purchasing functions under the newly created state board of control.

Vermont

The total annual purchases made by the purchasing department amount to approximately a quarter of a million dollars. The cost of maintaining the department is about two per cent of this amount.[2]

V—CONCLUSIONS

A brief summary of the general principles involved in the organization and procedure of the centralized purchasing systems of the twelve states, which have already been discussed at some length, may be of value to those interested in the subject of state purchasing.

There have developed four distinct types in the organization of the state purchasing agencies, which are in the order of their efficiency as follows: (1) Division of a department under reorganized and consolidated administration; (2) independent department headed by single officer; (3) board of control exercising purchasing functions; and (4) board of *ex officio* members with purchasing powers. The purchasing systems of Illinois and Idaho are examples of the first type. In both cases purchasing is placed under the department of public works. Responsibility for the work is fixed, and full co-operation with other departments under the consolidated administration is established.[3] Examples of the second type of purchasing organization are those of California, New Jersey, Michigan, New Hampshire, Ohio and Vermont. In these states responsibility for purchasing is largely fixed in a single person, called the purchasing agent, who heads a department practically independent of other state departments and agencies. This seems to be the form of organization for efficient purchasing work best adapted to those states which have not reorganized and consolidated their administration. In every case, except Ohio, the purchasing agent is appointed by the governor. In Ohio the purchasing agent is responsible to the secretary of state. In California and Vermont he is under the supervision of the state board of control, and in New Jersey he is under the state house commission. The third type, where the purchasing is left to the state board of control, is found in Alabama and Texas. The board of control is an attempt to consolidate the administration, especially of state institutions, looking toward more efficient management. However, it at once introduces board government, which for purely administrative purposes is regarded as inefficient, unbusinesslike and irresponsible. But even setting aside these objections, a board of control, burdened with fiscal, administrative, managerial and quasi-legislative functions, can hardly be expected to initiate and carry out an efficient system of purchasing. Examples of the fourth type of purchasing organization are those of New York and Wyoming. In these states the authority to purchase is vested in boards composed of state officers serving *ex officio*. The members of such boards are charged with numerous other duties and, therefore, have very

[1] Nineteenth Annual Report of the State Purchasing Agent, 1918.

[2] Report of the Purchasing Agent, 1916.

[3] "Administrative Consolidation in State Governments," supplement to NATIONAL MUNICIPAL REVIEW, November 1919.

little time to give to the purchasing work. The work, if it is to be done, must be delegated to some person or group of persons. This is the case in New York where the purchasing work is delegated to a sub-committee, and responsibility for the results is thereby practically dissipated.

In the development of efficient purchasing methods and procedure, Illinois and California have probably gone further than the other states. All state purchasing agencies make up schedules of supplies from requisitions or estimates furnished by the using agencies, but not all of them attempt to standardize the supplies used. Bids are secured by employing one or all of three methods of advertising, namely, advertising in newspapers, posting schedules on bulletins, and mailing schedules directly to dealers. In most cases only sealed bids are received and must be accompanied by certified checks to insure good faith. Awards are made to the lowest responsible bidder, and usually preference is given to local dealers or home products. Contracts are usually entered into for periods of three, six, or twelve months and bonds are required to guarantee their performance. Practically all of the purchasing agencies order the goods to be delivered directly to the using agencies. California is beginning to develop a system of warehouses, also a staff of testing experts to receive the goods. The important function of inspecting and testing goods is usually left to storekeepers and stewards of using agencies, who do not have the training or equipment for the effective performance of their work. Standard specifications avail little unless there are thorough inspections and tests of all goods received. Several state purchasing agencies are very slow about making payment for goods, and hence do not take advantage of discounts. The Illinois system is perhaps the most efficient in this respect. Revolving funds have been provided for several of the state purchasing agencies, thus enabling the agencies not only to make quick payments but to purchase goods out of season and store them for future consumption.

When using agencies buy their own supplies, they frequently spend more than is necessary, sufficient scrutiny cannot be exercised on the part of the state, and favoritism is often shown in the award of contracts. If properly managed, there is no doubt that a centralized purchasing system for state agencies will prove more efficient and economical than the old method of each using agency buying its own supplies. This statement is borne out by the fact that none of the states which have adopted a system of centralized purchasing has discontinued it, only the organization to administer it has been changed in one or two cases. The operation of a centralized purchasing system ought to contribute very effectively to the success of a state budget system by establishing control over all expenditures for supplies.